

Pls Ex. 1
(PCCX41 - Project Basquiat Final
Posting Memo)

Project Basquiat


Final Posting Memo

June 12, 2016



Executive Summary

- To supplement our various presentations on the UFC business plan, cost savings, structure, etc., the purpose of this presentation is to review:
 - **Diligence findings**, with a focus on top diligence questions raised by our financing partners
 - **2016 budget deep dive**, to level-set expectations based on diligence findings and YTD performance
 - **Capitalization & returns modelling**, based on final or near final capitalization structure
- Legal and accounting diligence summary: UFC is clean, and well put together
- Business case/financial diligence summary: with some upsides and downsides noted in the presentation, overall we believe our base case remains reasonable, with the biggest drivers being maintenance and modest growth of PPV, and the US media deal renewal in 2019
 - For consistency with various financing sources using our original 2016 budget and projections, we have not changed our business case

- 
- UFC is a unique opportunity to i) own a global sport at the intersection of our core capabilities, and ii) put large quantum of capital to work with potential for significant equity value creation

PRIVILEGED AND CONFIDENTIAL

Rare Ownership Opportunity in Sports, Uniquely Aligned with WME | IMG Capabilities

Vast majority of sports leagues are not “buyable”...



And of the few that are ...

...UFC has the greatest remaining growth potential, and the lowest barriers to efficiently scale (no teams, no stadiums, no tracks, etc.)

WME | IMG is Uniquely Positioned

UFC Business Driver	% of UFC Revenue ⁽¹⁾	WME IMG Capability
Domestic Media	62%	WME IMG is the #1 U.S. television agency
International Media	13%	WME IMG is #1 in Int'l Sports media distribution
Content Production	N/A	WME IMG is a leader in sports media production, with 20k+ hours of sports production and has a best-in-class original content team
Live Events	12%	WME IMG is the producer of 125+ live events/yr, each with 5K+ attendees
Sponsorship & Licensing	12%	WME IMG is a global leader in sports sponsorship and brand licensing

Note: live events includes owned and operated, represented and managed properties.

(1) Revenue as per 2015A. Domestic media includes residential and commercial PPV + digital (Fight Pass + VOD) revenue.

2

Global Sport with Passionate & Attractive Fan Base

(fan reach reported in m)

Desirable, Engaged Audience...

- Growing base of over 261m fans around the world
- 39m U.S. fans, over one-quarter are avid fans
 - 45% of U.S. fans are 18 – 34yr, a coveted and hard-to-reach demographic
 - Highest composition of millennial fans compared to marquee sports leagues
 - UFC's fan base (74% white) is more diverse than the general U.S. population
 - Over-indexes in Hispanic and African American audiences, and on par with MLS and NBA, respectively
 - Female audience peaks around female events (Ronda in particular), with upside as we bring more women into the league
- Significant growth in US fan base within attractive demographics
 - 7% – 10%+ audience growth in 2015 across 18 – 34yr, \$75k+ HHI, and college graduates
- Fans significantly over-index in digital / streaming, social, etc.
 - 46m followers across social media channels
 - Massive reach and activity on social media around UFC events, driven by engaged fan base
- Diverse talent mix – c. 50% of fighters are international athletes

...With Unique Global Reach

Territory	UFC Fans (m)
EMEA (other)	43
USA & Canada	43
Brazil	37
China	37
Mexico	20
Russia	13
Philipeans	12
LatAM (other)	11
Japan	11
Other APAC	35
Total	261

PRIVILEGED AND CONFIDENTIAL

Revenue Growth Drivers

(\$ in m)

Category	Base Case '15 - '20 Growth	Diligence Commentary
Current Fox Deal		
Next Media Deal		
Int'l Media Rights		
Digital / OTT		
Sponsorship		
Licensing		
Live Events		
Pay-per-view		
Revenue Growth		

4

PRIVILEGED AND CONFIDENTIAL

Attractive Acquisition Target with Strong Financial Profile

(\$ in m)

Consistent and strong top-line growth



■ Revenue

Highly profitable with significant operating leverage



■ PF Adjusted EBITDA ■ % Margin

Consistently highly cash generative



■ Pre-Tax uFCF ■ % Cash Conversion

Substantial contracted revenue coverage

(1) Due to change in working capital following injury-driven underperformance in 2014
 (2) Adjusts for one-time HQ capex of \$62M

5

PRIVILEGED AND CONFIDENTIAL

Summary of Key Diligence Questions

Key Diligence Focuses

- 1 Comfort on 2016 budget (See detailed budget pages)
- 2 Risk of “another 2014”
- 3 2015 too high of a PPV “base year”? Broader comfort in PPV model?
- 4 Comfort on live events ticket pricing sustainability
- 5 Fighter compensation inflation risk
- 6 Fighter lawsuit, fighter injury risk
- 7 Key man risk
- 8 Leverage levels in the near term
- 9 Other: Brazil, UFC Gym, New HQ, Legal, Tax, Accounting

PRIVILEGED AND CONFIDENTIAL

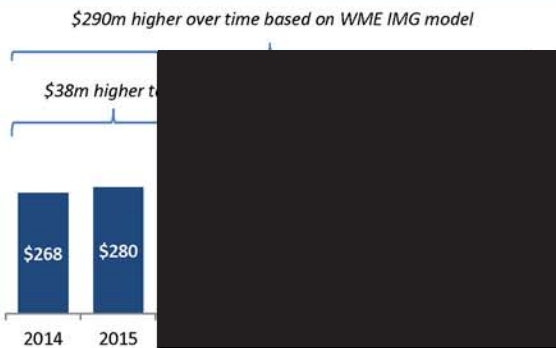
2 Risk of “Another 2014”

While the business carries some event-driven volatility, 2014 was a unique mix of bad luck and bad management – a combination that is increasingly preventable going forward

Summary

- EBITDA '13 – '14 dropped \$(74)M, in a combination of bad management and bad luck
- Since 2014: UFC contracted revenue continues to grow, muting volatility; UFC has improved at keeping quality undercard in tact as well as paying fighters to 'stay ready'
- While the PPV nature of this business will always carry some risk, we think a fallout as dramatic as 2014 is highly-unlikely
- WME's ability to build a broader base of stars is the ultimate protection and opportunity

Growth in Non-PPV/Event Revenue⁽²⁾



(1) If 2014 had same # of buys per event as 2013, revenue would have increased \$70m, assuming 18% of incremental revenue paid out to fighters (in line with 2013 share), EBITDA impact of \$58m.

(2) Note: Multi-year includes: Domestic and international media rights deals, sponsorship and licensing revenue. Event-driven includes: PPV, digital, and ticket sales.

8

PRIVILEGED AND CONFIDENTIAL

3 Risk of 2015 Being Abnormally High PPV Base Year

Historically, 6-8 bouts with big stars is “normal” and the key to PPV. 2015 was in line with historical norms. 2016 is in range, assuming Ronda/Jon/Conor remain healthy with quality opponents

Summary

- 2015 still below pre-Fox levels in totality and avg per event
- In the Fox era (2012 – 2016) PPV buys have grown at 10% CAGR
 - Top events are driving growth, while bottom half of PPVs maintaining steady base
 - We believe this is a reflection of overall growth in sport and stars becoming more and more mainstream
- If Ronda, Jon, Conor stay healthy, 2016 line up is solid

Biggest Fights Driving Majority of PPV Growth

in '000

Year	PPV Total	Per Event Average	Per Event Quartile Averages			
			Top 3	Next to Top 3	Next to Bottom 3	Bottom 3-4
2012	4,826	371	703	388	312	155
2015	6,413	493	947	603	363	162

of Star Bouts

2012	2013	2014	2015	2016
5-7 Star bouts JUNIOR DOS SANTOS JUNIOR DOS SANTOS ANDERSON SILVA ANDERSON SILVA GEORGES ST-PIERRE JONATHAN JONES JONATHAN JONES	7 Star bouts ANDERSON SILVA ANDERSON SILVA GEORGES ST-PIERRE GEORGES ST-PIERRE RONDA ROUSEY JONATHAN JONES JONATHAN JONES	2 Star bouts RONDA ROUSEY JONATHAN JONES	7-8 Star bouts ANDERSON SILVA RONDA ROUSEY RONDA ROUSEY RONDA ROUSEY CONOR MCGREGOR CONOR MCGREGOR JONATHAN JONES JONATHAN JONES	5-7 Star bouts CONOR #3? RONDA ROUSEY? CONOR MCGREGOR CONOR MCGREGOR JONATHAN JONES JONATHAN JONES JONATHAN JONES
				+UFC 200, NYC & Brock
Average per event ('000) 538 514 428 371 449 # of Events 12 15 16 13 13				

Total PPV Buys Over Time⁽¹⁾



(1) Each year's total normalized for 13 events. Represents total residential PPV buys (cable, satellite, UFC.TV, Online)

9

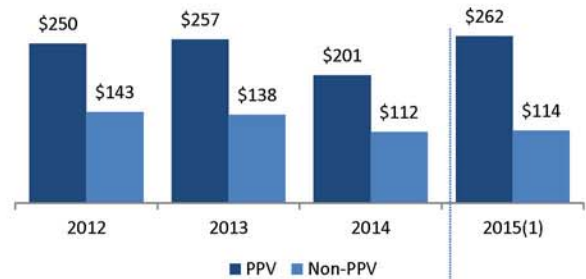
PRIVILEGED AND CONFIDENTIAL

4 Live Events Demand and Pricing Sustainability

Overall ticket demand and pricing are solid historically, and YTD 2016 is seeing uptick in pricing on PPV and non PPV events

Summary

Historical Ticket Pricing



PPV Events	13	13	12	13
Non-PPV Events	20	18	26	24

	2012	2013	2014	2015 ⁽¹⁾	2016 YTD ⁽¹⁾
Total Attendance	371,913	373,232	453,236		
Attendance per Event	11,997	11,310	9,853		
% Capacity Sold (PPV)	74%	77%	68%		
% Capacity Sold (non-PPV)	59%	70%	61%		

(1) Years with stadium events which drive total attendance up, at lower ticket prices.

10

PRIVILEGED AND CONFIDENTIAL

5 Risk of Fighter Compensation Inflation

Fighter comp was the most asked question by financing sources, and is a critical cost that we must actively manage. We believe our long-term 20% of revenue assumption is reasonable

Summary

- Historically fighters have earned 16-19% of revenues, although 2016 is projected by UFC at 22.7%, largely driven by one-time Brock cost and overly stacked UFC 200
- On one hand, 20% assumption is conservative in that fighters typically share more in event-specific revenue, and we might not expect same for 2019 broadcast deal growth, for example
- On the other hand, the trend line for UFC is moving modestly higher each year, and we've discussed other league comps
- While we see some modest upside and downside, we feel comfortable that nearly 2x cost increase (20% of revenue) for the exact same content stack is reasonable base case

UFC Fighter Costs



Bouts Remaining⁽¹⁾

Ranking	Average Remaining Bouts
Champions	6.5
Ranked 1 - 5	5.5
Ranked 6 - 10	3.6
Ranked 11 - 15	3.2
Total Ranked	4.2

(1) Note: in total, 13 ranked fighters have 1 bout remaining.

(2) Golf and Tennis based off select WME IMG events.

(3) UFC \$/min stats based on 30min of fighting annually and 2015's \$8.6m payout to top fighter. Note: [redacted] expected to receive \$15m in 2016 (2.3% of 2016 revenues).

(4) Note: total comp as % of revenue and average \$/min for following leagues: NHL: 49%, \$531; MLS: 34%, \$100; EPL: 33%, £1,118.

League Comps

On a per-minute of 'field' time basis, UFC athletes are paid well above other sport peers

On a % revenue basis, traditional stick/ball teams are higher, motorsports are lower

League	NFL	MLB	NBA	F1	NASCAR	Golf ⁽²⁾	Tennis ⁽²⁾	UFC ⁽³⁾
Total Comp as % of Revenue	32%	45%	40%	c.10%	c.16%	c.35%	c.25%	19%
Top Player Comp as % of Revenue	0.2%	0.4%	0.4%	2.0%	0.7%	-	-	1.4%
Avg \$/min	\$2,199	\$127	\$1,163	\$8,020	\$725	-	-	\$8,224
Top Athlete \$/min	\$23,055	\$977	\$5,843	\$38,002	\$2,409	-	-	\$287,086

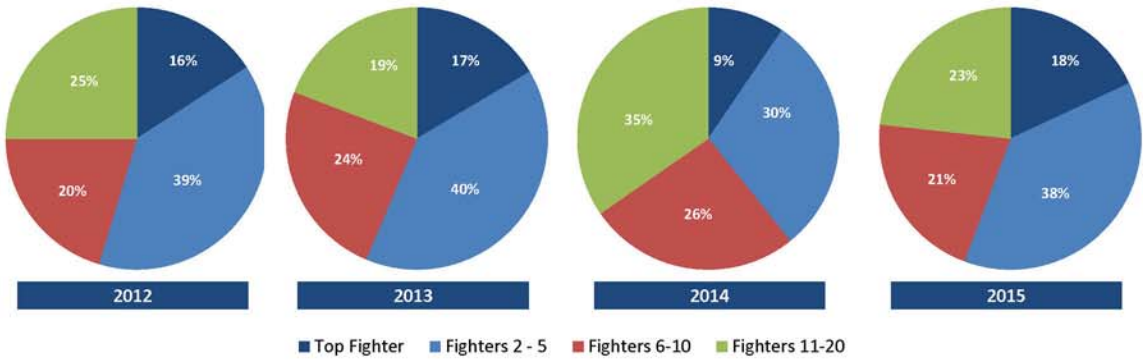
PRIVILEGED AND CONFIDENTIAL

5 **Fighter Compensation**

Top fighter comp continues to grow each year with revenue. Breakdown across top fighters has remained relatively consistent since 2012 (2014 was outlier year)

Top 20 Fighter Analysis

(\$ in mm)	2012	2013	2014	2015
Total Fighter Comp	\$71	\$91	\$72	\$113
Top 20 as % of Total	43%	51%	28%	42%





PRIVILEGED AND CONFIDENTIAL

7 Key Man Risk



14

PRIVILEGED AND CONFIDENTIAL

8 Leverage Levels in Context of Potential Business Volatility

Performance in the first 24 months and cost savings execution is critical while debt service coverage is tightest. Over time, expected growth in non-PPV revenue brings levels into typical range

Summary


Financials and Ratios (\$ in mm)

	Illustrative PF2015
Illustrative Adjusted EBITDA	\$189
Cost Savings	—
WME IMG Mgmt Fee	—
Illustrative PF Adjusted EBITDA	\$189
CapEx/Tax/Library Acquisition Costs/ΔWC	(\$79)
Illustrative PF Adjusted EBITDA (-) CapEx etc.	\$109
Debt	\$2,100
Cash	\$50
Debt Service ⁽¹⁾	\$149
Net Debt / PF Adjusted EBITDA	10.9x
PF Adjusted EBITDA (-) Capex etc. / Debt Service ⁽¹⁾	0.7x


(1) Coverage ratio based on adjusted EBITDA less: foreign tax withholdings, maintenance capex, library acquisition costs, change in NWC and investments in JV's divided by debt service (interest expense plus: mandatory debt redemption of 1% on the \$1.55bn term loan(see later slides for full capital structure details)).

(2) Based on Adjusted LTM EBITDA as of Mar-30-16 as per Deloitte report and normalizes Q1 to include 13 events in the LTM period.

9 Other Diligence Notes

Topic	Commentary
Brazil	
UFC Gym	
New HQ	
Working capital	
Regulatory regime	<ul style="list-style-type: none">• Zuffa holds various licensing, as do individuals (e.g. Dana), that allow it to put on fights in various jurisdictions. Need to stay on top of this post closing. Expect with Lawrence and Kirk sticking around, they will continue to do a good job. This has been core competency of Zuffa.
Sales Agency relationship	<ul style="list-style-type: none">• Zuffa in a handful of international markets has hired rep firms to sell sponsor and media. We understand these deals are very limited, in small territories, and easily unwound

9 Other Diligence Notes

Topic	Commentary
Piligian	
Getty Agreement	
Library Acquisitions	
Muhammed Ali Boxing Reform Act	
Tax	
PPTV/China	

PRIVILEGED AND CONFIDENTIAL

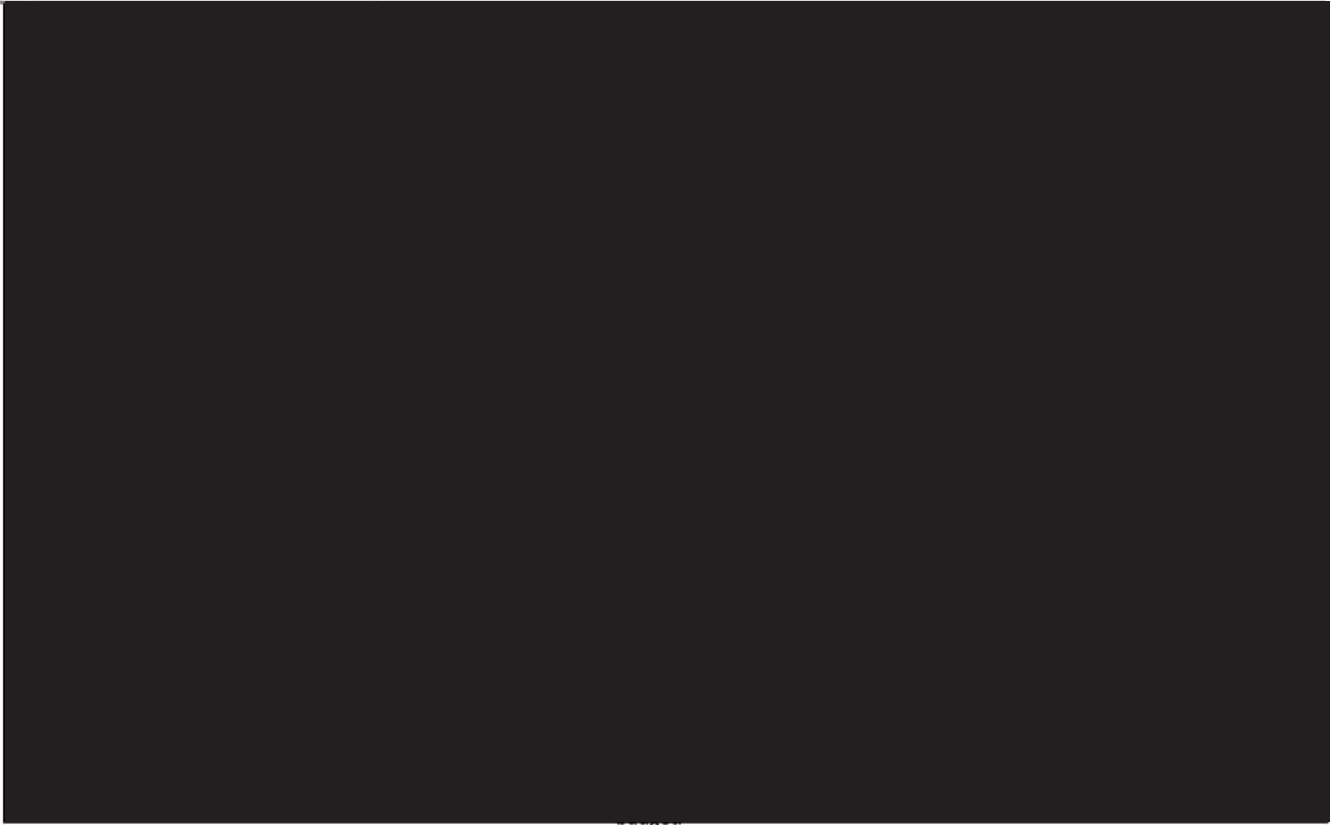
2016 Budget Deep Dive

18

PRIVILEGED AND CONFIDENTIAL

Q1 Performance vs Budget

Q1 beat budget EBITDA by \$2.1m, higher by PPV uptick on Conor-Diaz outperformance, and lower by sponsorship miss and timing of international media revenues



PRIVILEGED AND CONFIDENTIAL

Q2 Performance vs Budget



% Margin

20.3%



20

PRIVILEGED AND CONFIDENTIAL

2016 Full Year: UFC Original vs June Reforecast



PRIVILEGED AND CONFIDENTIAL



PRIVILEGED AND CONFIDENTIAL

2016 Projection: UFC Forecast vs. WME IMG Range

(Continued)



PRIVILEGED AND CONFIDENTIAL

Fight Card Analysis

Event	UFC 195	UFC 196	UFC 197	UFC 198	UFC 199	UFC 200	UFC 201	UFC 202	UFC 203	UFC 204	UFC 205	UFC 206	UFC 207	Total
Event Date	1/2/2016	3/5/2016	4/23/2016	5/14/2016	6/4/2016	7/9/2016	7/30/2016	8/20/2016	9/10/2016	10/8/2016	11/12/2016	12/10/2016	12/30/2016	
Location	Vegas	Vegas	Vegas	Curitiba	Los Angeles	Vegas	Atlanta	Vegas	Cleveland	Dallas	New York	Toronto	Vegas	
Original Budget														
Current Forecast														
Exceed / (Miss) vs. Budget														
Yellow = title fights														
Anticipated Fighter Match Ups														
	Lawler	Mcgregor	Jones	Werdum	Rockhold	Jones	Lawler	Diaz	Stipe	MW Champ	WBW Champ	Jones	LtHW Champ	
vs	Condit	Diaz	OSP	Stipe	Bisping	DC	Woodley	McGregor	Overeem		Rousey			
	Miocic	Holm	DJ	Belfort	Cruz	Lesnar	DJ		LW Champ	SW Champ	BW Champ	FlyW Champ	WW Champ	
vs	Arlovski	Tate	Cejudo	Jacare	Faber	Hunt	Heis							
			Pettis	Rua	Hendo	Tate			A. Silva					
vs			Barboza	C. Anderson	Lombard	Nunes			U. Hall					
				Cyborg	Poirier	Aldo			CM Punk					
vs				Smith	Green	Edgar								

Brock Historical PPV Performance			Big Boxing Dates for Remainder of '16:		PPV Event Locations '17:	
Event	Date	Buys	[tbu]		UFC 208	21-Jan TBD
UFC 81	2/2/2008	519,399			UFC 209	11-Feb Barclays Center
UFC 87	8/9/2008	527,445			UFC 210	4-Mar Las Vegas Arena
UFC 91	11/15/2008	743,627			UFC 211	8-Apr First Niagara Center
UFC 100	7/11/2009	1,299,118			UFC 212	13-May TBD
UFC 116	7/3/2010	900,266			UFC 213	3-Jun HSBC Arena - Rio
UFC 121	10/23/2010	820,698			UFC 214	8-Jul Las Vegas Arena
UFC 141	12/30/2011	550,730			UFC 215	5-Aug TBD
Average		765,898			UFC 216	9-Sep Las Vegas Arena
Average Last 4 Events		892,703			UFC 217	7-Oct Las Vegas Arena
					UFC 218	4-Nov MSG
					UFC 219	2-Dec TBD
					UFC 220	30-Dec Las Vegas Arena

PRIVILEGED AND CONFIDENTIAL

Illustrative: PPV Sensitivities

(\$ in mm)

	Total Δ Buys to UFC 2H 2016 Budget	Revenue Impact

--	--	--

PRIVILEGED AND CONFIDENTIAL

Sponsorship Supporting Analysis

(\$ in mm)

Summary

2016 Pipeline and Sponsorship Gap

PRIVILEGED AND CONFIDENTIAL

Capitalization & Returns

PRIVILEGED AND CONFIDENTIAL

UFC Analysis at Various Prices

Note: tax asset
value subject to
change

(\$ in M)



28

PRIVILEGED AND CONFIDENTIAL

Sources & Uses, and PF Capitalization

(\$ in M)



29

PRIVILEGED AND CONFIDENTIAL

WME IMG Base Case Financial Projections



(1) Debt service includes interest expense plus mandatory amortization of term loan.

30

PRIVILEGED AND CONFIDENTIAL

Projections Sensitivity Analysis



31

PRIVILEGED AND CONFIDENTIAL

UFC Equity Returns

(\$ in millions)



Note: assumes \$2.1bn of debt at a c.6.5% weighted average cost of debt (\$1.55bn TL at L+425 and \$550m notes at L+850, assumes 1% Libor floor), \$300m preferred equity with 14% cost of capital (PIK) and 10% mgmt equity option pool.

32

PRIVILEGED AND CONFIDENTIAL

UFC Equity Returns: Sensitizing US Media & Fighter Comp

(\$ in millions)



PRIVILEGED AND CONFIDENTIAL

WME IMG Equity Returns from UFC Investment



PRIVILEGED AND CONFIDENTIAL

High Level Accretion / Dilution

(\$ in M)



35

PRIVILEGED AND CONFIDENTIAL

Appendix

PRIVILEGED AND CONFIDENTIAL

Financial Projections

(\$ in m)

(\$ in millions)	Fiscal Year Ending December 31,								
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Total Content Revenue	\$305	\$377							
Live Events Revenue	56	62							
Sponsorship Revenue	52	57							
Consumer Products	32	19							
Total Revenue	\$445	\$515							
<i>% Growth</i>		16%							
Athlete Costs	(\$71)	(\$91)							
Production Costs	(95)	(84)							
Marketing Costs	(41)	(47)							
Other Cost of Sales	(29)	(31)							
Total Cost of Sales	(\$236)	(\$254)							
Gross Profit	\$209	\$262							
<i>% Margin</i>	47%	51%							
Overhead	(\$135)	(\$117)							
Cost Savings	—	—							
Adjustments	41	26							
WME IMG Agency Fee	—	—							
PF Adjusted EBITDA	\$115	\$170							
<i>% Margin</i>	26%	33%							
(Increase) / Decrease in Working Capital	13	2							
Maintenance Capex / Library Acquisition Costs	(7)	(7)							
Investments in Joint Ventures	(8)	(10)							
Building / Growth Capex	—	(8)							
UFCF	\$113	\$147							
<i>% Margin</i>	98%	87%							

PRIVILEGED AND CONFIDENTIAL

Sponsorship Pipeline Details

